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UNITED STATES OF AMERICA

UNITED STATES DISTRICT COURT

FOR THE CENTRAL DISTRICT OF CALIFORNIA

UNITED STATES OF AMERICA,

Plaintiff,

v.

DAREN LI and YICHENG ZHANG,

Defendants.

No. CR 2:24-00311-RGK-2

GOVERNMENT'S SENTENCING POSITION
REGARDING DEFENDANT YICHENG ZHANG

Plaintiff United States of America, by and through its counsel of record, the Acting United States Attorney for the Central District of California and Assistant United States Attorneys Maxwell Coll, Nisha Chandran, and Alexander Gorin, hereby files its sentencing position for defendant YICHENG ZHANG.

This sentencing position is based upon the attached memorandum of points and authorities, the files and records in this case, the

1 United States Probation and Pretrial Services Office's presentence
2 investigation report, and such further evidence and argument as the
3 Court may permit.

4 Dated: September 2, 2025

Respectfully submitted,

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9 /s/ Nisha Chandran

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MEMORANDUM OF POINTS AND AUTHORITIES

I. INTRODUCTION

Defendant YICHENG ZHANG conspired to conduct financial transactions in excess of \$1.5 million involving fraudulently obtained funds from U.S. victims of cryptocurrency investment scams (also known as “pig butchering” scams). (Dkt. 60 at 7-9.) Defendant ZHANG accepted responsibility shortly after his arrest, and on February 3, 2025, he pleaded guilty pursuant to a plea agreement to one count of conspiracy to commit money laundering, in violation of 18 U.S.C. § 1956(h) (Count One). (Dkts. 60, 71.) To date, the government has charged by indictment six defendants involved in the money-laundering network, five of whom have executed plea agreements and one of whom remains a fugitive.¹ Three additional defendants involved in the scheme have also signed plea agreements.² Defendant ZHANG is the third defendant to be sentenced. Among these charged defendants, defendant ZHANG’s conduct is limited, warranting the minor role reduction discussed below.

In the plea agreement, defendant ZHANG agreed to a base offense level of 8; that he laundered funds between more \$40,000 and more than \$1,500,000, such that an enhancement of between +6 and +16 must be applied; that his conviction is for a Section 1956 offense such that a +2 enhancement must be applied; and that he had a minor role in the offense, warranting a 2-level reduction. (Dkt. 60 at 9.)

¹ All of the indicted defendants are in cases pending before this Court. See United States v. Lu Zhang, Joseph Wong, Justin Walker, and Hailong Zhu, 2:23-CR-00596-RGK-3; United States v. Daren Li and Yicheng Zhang, 2:24-CR-393-RGK.

² See United States v. Shengsheng He, 2:25-CR-00175-RGK; United States v. Jose Somarriba, 2:25-CR-00181-RGK; and United States v. Jingliang Su, 2:24-MJ-07038-DUTY.

1 The United States Probation and Presentence Office ("USPPO")
2 issued its Presentence Report ("PSR") on May 19, 2025. (Dkt. 72.)
3 The PSR calculated a total offense level of 21, which included a base
4 offense level of 8 plus a 16-level increase because the loss
5 attributable to defendant ZHANG was greater than \$1,500,000 (PSR ¶
6 69); a two-level increase because defendant ZHANG was convicted under
7 18 U.S.C. § 1956 (PSR ¶ 70); a two-level increase because the offense
8 involved sophisticated laundering (PSR ¶¶ 71-72); a two-level
9 reduction because defendant ZHANG occupied a minor role in the
10 offense (PSR ¶¶ 74-80); a three-level reduction for defendant ZHANG's
11 acceptance of responsibility (PSR ¶¶ 84-85); and a two-level
12 reduction for zero-point-offender status (PSR ¶¶ 86-87). Based on a
13 total offense level of 21, and a Criminal History Category of I, the
14 PSR calculated an advisory Guideline range of 37 to 46 months'
15 incarceration. (PSR ¶ 135.) The PSR did not identify any factors
16 that would warrant a departure or variance from the applicable
17 Guidelines range. (PSR ¶¶ 149, 150.)

18 The government agrees with the PSR's criminal history
19 calculation and the offense-level calculation. However, the
20 government believes that a further six-level reduction is appropriate
21 for the reasons stated in its contemporaneously filed motion. In
22 light of this, the total offense level calculation decreases to 15
23 and the resulting advisory Guidelines range is 18 to 24 months.
24 Thus, the government respectfully requests that the Court sentence
25 defendant ZHANG to: (1) a Guidelines term of 18 months' imprisonment;
26 (2) three years of supervised release; (3) restitution in the amount
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1 set forth in the government's supplemental restitution position; and
2 (4) a mandatory special assessment of \$100.

3 **II. OVERVIEW OF STRUCTURE OF SCAM AND MONEY LAUNDERING NETWORK**

4 As described in Count One of the Indictment, the conspiracy
5 involved an international network of co-conspirators who scammed U.S.
6 victims and laundered victim money through U.S. shell companies,
7 international bank accounts, and cryptocurrency wallets.

8 **International Scammers:** First, unknown co-conspirators largely
9 residing overseas (not defendant ZHANG) contacted U.S. victims
10 directly through unsolicited social-media interactions, telephone
11 calls and messages, and online dating services. These co-
12 conspirators gained the trust of victims by establishing either
13 professional, friendly, or romantic relationships with them. After
14 gaining the victims' trust, the co-conspirators promoted fraudulent
15 cryptocurrency investments to the victims. Co-conspirators
16 established spoofed domains and websites that often resembled
17 legitimate cryptocurrency trading platforms. In some executions of
18 the scheme, co-conspirators fraudulently induced victims into
19 investing in cryptocurrency through these fraudulent and spoofed
20 investment platforms. In other executions of the scheme, co-
21 conspirators fraudulently induced victims into investing in
22 cryptocurrency by sending funds via wire transfers to U.S.-based bank
23 accounts. Co-conspirators fraudulently represented to victims that
24 their investments were appreciating when, in fact, those funds were
25 stolen.

26 **Domestic Laundering Networks:** Second, a group of domestic money
27 launderers received victim funds in U.S.-based bank accounts,
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1 including bank accounts established on behalf of U.S. shell companies
2 and caused the further transfer of victim funds to domestic and
3 international bank accounts. Defendant ZHANG fits within this
4 category of co-conspirators, as do each of the co-defendants in the
5 related case before this Court (Lu Zhang, Joseph Wong, Justin Walker,
6 and Hailong Zhu in Case No. 23-CR-596). These defendants, among
7 other co-conspirators, worked together to register shell companies
8 with the California Secretary of State and/or open bank accounts in
9 the names of those shell companies with U.S. financial institutions,
10 including Bank of America ("BoA") and JPMorgan Chase ("JPMC"). The
11 shell company accounts received bank wires from victims of the scheme
12 throughout the United States. Many of these individuals discussed
13 when and how to receive and execute interstate and international wire
14 transfers of victim funds, arranged for the transfer of the
15 fraudulently obtained proceeds via interstate and international wire
16 transfers, and caused wire transfers to be sent through various
17 intermediary bank accounts before reaching their final beneficiary.
18 Some of these money movers traveled to financial institutions within
19 the Central District of California to access funds in the bank
20 accounts used to launder fraud proceeds, called the banks to inquire
21 about the status of the funds, and closely monitored the bank
22 accounts, insuring victim funds continued to flow into and out of the
23 accounts.

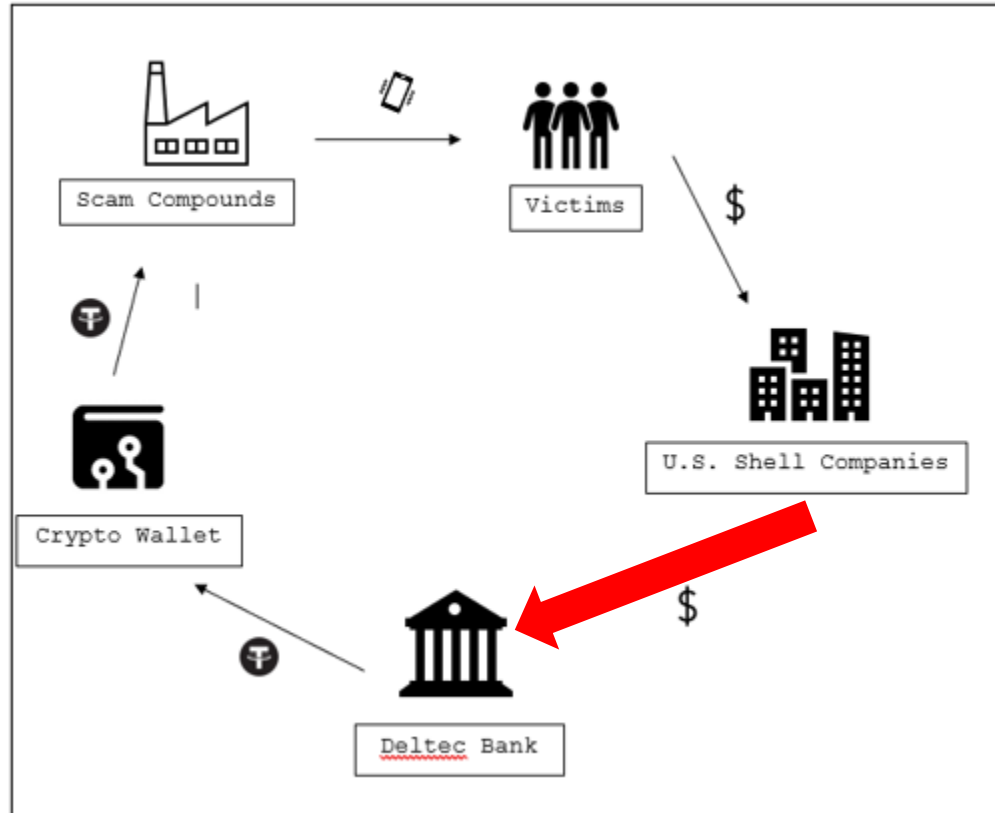
24 **Bahamian Cryptocurrency Converters:** Third, virtually all of the
25 victim funds flowed from U.S. bank accounts to two bank accounts at
26 the Bahamian financial institution Deltec Bank & Trust ("Deltec
27 Bank"), referred to in related court documents as Bahamas Account #1
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1 and Bahamas Account #2. Defendants in the related cases (not
2 defendant ZHANG) have been charged with setting up the Bahamian
3 entity Axis Digital Limited and the affiliated bank account Bahamas
4 Account #1. Once these defendants received the victim funds from
5 transfers the money movers initiated, the Bahamian cryptocurrency
6 converters would cause the funds to be converted from U.S. dollars to
7 the cryptocurrency Tether, or USDT.³ After the funds were converted
8 to USDT, the Bahamian cryptocurrency converters would cause the
9 Bahamian bank to transfer the USDT to a cryptocurrency wallet
10 controlled by individuals overseas.

11 **Final Distribution of Victim Funds:** Fourth, after co-
12 conspirators laundered the victim funds from U.S.-based bank accounts
13 to the Bahamian bank accounts and converted the funds to USDT, a
14 network of foreign-based individuals (not defendant ZHANG) would
15 receive the cryptocurrency in a virtual currency wallet. After
16 receiving the funds in the virtual currency wallet, these co-
17 conspirators would distribute the USDT to foreign criminals running
18 the scam centers overseas, including in the Kingdom of Cambodia.

19 The figure below shows the overall flow of funds in the charged
20 scheme, with defendant ZHANG's role shown in red:
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27 ³ Tether, or "USDT," is a type of cryptocurrency known as a
28 stablecoin pegged to the U.S. dollar. Thus, one USDT always equals
one U.S. dollar.



III. DEFENDANT ZHANG ACCEPTED VICTIM FUNDS IN TWO BANK ACCOUNTS IN HIS NAME AND INSTRUCTED CO-CONSPIRATORS IN OPENING U.S. SHELL COMPANIES USED TO MOVE VICTIM FUNDS TO DELTEC BANK

As stated in the plea agreement (Dkt. 60) and PSR ¶¶ 17-55, beginning from at least August 2021, and continuing through at least April 12, 2024, in Los Angeles County, within the Central District of California, and elsewhere, defendant ZHANG knowingly conspired with co-defendant DAREN LI, and others, to conduct financial transactions involving property that represented the proceeds of wire fraud, in violation of Title 18, United States Code, Section 1343.

Defendant ZHANG conspired with LI and others to launder funds obtained from victims through cryptocurrency scams and related frauds, as described in count one of the indictment. Defendant ZHANG knew that the property involved in the financial transactions

1 represented, and would represent, the proceeds of some form of
2 unlawful activity, and that the transactions were, and would be,
3 designed in whole or in part to conceal or disguise the nature,
4 location, source, ownership, and control of the proceeds.

5 In furtherance of the conspiracy, defendant ZHANG communicated
6 with his co-conspirators through encrypted messaging services. In
7 order to conceal or disguise the nature, location, source, ownership,
8 and control of the fraudulently obtained victim funds, defendant
9 ZHANG would instruct co-conspirators how to open bank accounts
10 established on behalf of shell companies, including for shell
11 companies in the name of SMX Beauty, Inc. and SMX Travel, Inc., so
12 that other co-conspirators could direct the transfer of victim funds
13 to those bank accounts. Defendant ZHANG's co-conspirators would then
14 direct victims to transfer funds to various domestic bank accounts,
15 including SMX Beauty, Inc. and SMX Travel, Inc., and then transmit
16 those victim funds through various domestic and international
17 intermediary bank accounts before reaching their final beneficiary.
18 Defendant ZHANG's co-conspirators would monitor the conversion of
19 victim funds to virtual currency, specifically Tether ("USDT") and
20 ultimately receive the victim funds in financial accounts controlled
21 by defendant's co-conspirators.

22 At the direction of other co-conspirators, defendant ZHANG also
23 opened and operated two of the domestic intermediary bank accounts
24 used to launder victim funds. Specifically, defendant ZHANG received
25 at least \$90,310 in victim funds to his Bank of America checking
26 account ending in 5585 and his Bank of America savings account ending
27 in 0782. At the direction of other co-conspirators, defendant ZHANG
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1 then transferred those victim funds from his bank accounts to other
2 domestic and international bank accounts.

3 Defendant ZHANG admits that at least \$90,310 in victim funds
4 were directly deposited into bank accounts that defendant opened and
5 controlled. Defendant ZHANG also admits that at least \$2,285,760 was
6 transferred from domestic bank accounts in the names of SMX Travel,
7 Inc. and SMX Beauty, Inc. to two bank accounts held at Deltec Bank &
8 Trust in the Bahamas.

9 **IV. THE USPPPO'S CALCULATIONS**

10 **A. The Government Concurs with the USPPPO's Criminal History**
11 **Calculations and the Guidelines Offense Level.**

12 The USPPPO determined that defendant ZHANG has zero criminal
13 history points. (PSR ¶ 94.) Defendant ZHANG thus falls within
14 Criminal History Category I. (PSR ¶ 95.) The government concurs
15 with this calculation.

16 The PSR also calculated, based on the above facts, a total
17 offense level of 21. (PSR ¶ 88.) The government concurs with the
18 base offense level of 8 calculated by the PSR. (PSR ¶ 65.) The
19 PSR's total offense level calculation is as follows:

20	Base Offense Level:	8	U.S.S.G. §2S1.1(a)(2)
21	\$1,500,000 < Loss Amount		
22	< \$3,500,000:	+16	U.S.S.G. § 2B1.1(b)(1)(I)
23	1956 Conviction	+2	U.S.S.G. § 2S1.1(b)(2)(b)
24	Sophisticated Laundering:	+2	U.S.S.G. § 2S1.1(b)(3)
25	Minor Role:	-2	U.S.S.G. § 3B1.2(b)
26	Acceptance of		
27	Responsibility:	-3	U.S.S.G. § 3E1.1(a)-(b)
28	Zero Point Offender:	-2	U.S.S.G. § 4C1.1

TOTAL: 21

Based on that calculation, the USPPPO recognized that a total offense level of 21 and a Criminal History Category of I yield an advisory Guidelines range of 37 to 46 months' imprisonment, and period of supervised release from one year to three years as a Class C Felony. (PSR ¶¶ 135, 138.)

B. The Government Concurs with the PSR's 16-Level Loss Enhancement.

The loss amount in these cases is devastating. Financial tracing shows that the overall laundering scheme involved at least \$73.6 million in fraudulently obtained funds. As detailed in the Victim Impact Statements in this case, dozens of U.S. citizens lost substantial sums of money in the scams--in some instances, their entire life savings. Because the victim funds were wired overseas, converted to cryptocurrency and further dispersed to dozens of unhosted virtual wallets, the government was not able to freeze, seize, or recover any of the direct victim proceeds.⁴ Due to the money-laundering network, the victims' savings and supposed "investments" are gone.

While the overall scheme involved more than \$73.6 million and laundered funds from multiple shell companies, defendant ZHANG's role was more limited. Defendant ZHANG admitted that at least \$90,310 in victim funds were directly deposited into bank accounts that defendant opened and controlled; that he instructed co-conspirators how to open domestic bank accounts in the names of SMX Travel, Inc.

⁴ The government continues to pursue alternative ways to recover funds for victims of these cases.

1 and SMX Beauty, Inc.; and that at least \$2,285,760 was transferred
2 from domestic bank accounts in the names of SMX Travel, Inc. and SMX
3 Beauty, Inc. to two bank accounts held at Deltec Bank & Trust in the
4 Bahamas. The government agrees with the PSR's assessment that all of
5 the funds transferred into the bank accounts defendant controlled, as
6 well as the bank accounts held in the names of SMX Travel and SMX
7 Beauty (which he helped instruct to open) to the bank accounts in the
8 Bahamas should be included in the loss calculation, and thus, a 16-
9 level loss enhancement applies. (PSR ¶ 69.)

10 **C. The Government Concurs with the PSR's 2-Level Sophisticated**
11 **Means Enhancement.**

12 Defendant objects to the two-level adjustment under USSG
13 § 2B1.1(b)(10)(C) for his use of sophisticated means in committing
14 the offense, arguing that he only opened two bank accounts, and set
15 up two company bank accounts, that were used by others. (Dkt. 106 at
16 3.) But defendant's use of bank accounts in his name, and his
17 instruction to other co-conspirators regarding how to open bank
18 accounts established on behalf of shell companies in the name of SMX
19 Beauty Inc. and SMX Travel Inc. is exactly the type of conduct that
20 warrants the enhancement.

21 The application notes explain that "[c]onduct such as hiding
22 assets or transactions, or both, through the use of fictitious
23 entities, corporate shells, or offshore financial accounts also
24 ordinarily indicates sophisticated means." USSG § 2B1.1, comment.
25 (n.9(B)). Defendant ZHANG's conduct falls squarely within the
26 application note.

27 But the "list contained in the application note is not
28 exhaustive," and "the enhancement properly applies to conduct less

sophisticated than the list articulated in the application note.”
United States v. Jennings, 711 F.3d 1144, 1147 (9th Cir. 2013⁵).
“[T]he enhancement does not require a brilliant scheme, just one that
displays a greater level of planning or concealment than the usual .
. . case.” Id. (cleaned up). In fact, the Ninth Circuit has
previously found that substantially less serious conduct qualifies
for the enhancement. See, e.g., United States v. Tanke, 743 F.3d
1296, 1307 (9th Cir. 2014) (applying enhancement to a defendant who
“did not use ‘fictitious entities, corporate shells, or offshore
financial accounts,’ as the Sentencing Commission’s commentary
contemplates,” but who “created at least six false invoices and
falsified carbon copies of checks . . . to conceal the payments”).
Conduct “need not involve highly complex schemes or exhibit
exceptional brilliance to warrant the enhancement.” United States v.
Augare, 800 F.3d 1173, 1175 (9th Cir. 2015) (internal quotation marks
omitted). Nor must any single aspect of the scheme involve unusual
complexity so long as the “totality of the scheme” involves
complexity. Id. (quotation marks omitted).

Here, the overall scheme was sufficiently convincing to
victimize dozens of U.S. victims out of millions of dollars, and
sophisticated enough to prevent those victims and U.S. law
enforcement from freezing, seizing, or recovering any of the direct
victim proceeds before the funds were wired overseas and dispersed to
dozens of cryptocurrency wallets. And defendant’s conduct in this
case instructed co-conspirators how to open two of the shell

⁵ Jennings considered the sophisticated means adjustment in USSG
§ 2T1.1, which covers tax evasion, but the commentary explicating
“sophisticated means” in that guideline is the same as § 2B1.1’s.

companies that were used in this sophisticated laundering. That fact itself supports the conclusion that his crime involved the sort of complexity contemplated by the guideline.

D. The Government Requests a 6-Level Reduction.

The government has filed a contemporaneous document requesting a 6-level reduction.

* * *

Accordingly, the government believes the total offense level calculation for defendant ZHANG is as follows:

Base Offense Level:	8	U.S.S.G. §2S1.1(a)(2)
\$1,500,000 < Loss Amount < \$3,500,000:	+16	U.S.S.G. § 2B1.1(b)(1)(I)
1956 Conviction	+2	U.S.S.G. § 2S1.1(b)(2)(b)
Sophisticated Laundering:	+2	U.S.S.G. § 2S1.1(b)(3)
Minor Role:	-2	U.S.S.G. § 3B1.2(b)
Acceptance of Responsibility:	-3	U.S.S.G. § 3E1.1(a)-(b)
Zero Point Offender:	-2	U.S.S.G. § 4C1.1
Other:	-6	Contemporaneous Filing

TOTAL: 15

Based on a Criminal History Category of I, the advisory Guidelines range is 18 to 24 months' imprisonment. The government's recommended sentence is at the low-end of this advisory Guidelines range.

E. Joint and Several Restitution Obligation

The government submits that defendant ZHANG should be held jointly and severally liable with the below-listed convicted co-

participants (which list includes the defendant) in the offense
conduct for the amount of restitution ordered in this judgement:

- Lu Zhang (Case No. 23-CR-596-RGK-1)
- Joseph Wong (Case No. 23-CR-596-RGK-2)
- Justin Walker (Case No. 23-CR-596-RGK-3)
- Hailong Zhu (Case No. 23-CR-596-RGK-4)
- Daren Li (Case No. 24-CR-311-RGK-1)
- Yicheng Zhang (Case No. 24-CR-311-RGK-2)
- Shengsheng He (Case No. 25-CR-00175-RGK)
- Jose Somarriba (Case No. 25-CR-00181-RGK)

The victims' recovery remains limited to the amount of their
loss and the defendant's liability for restitution ceases if and when
the victim receives full restitution as to the defendant, or when the
victims are made whole, whichever is earlier.

The government will separately file a supplemental restitution
position with the total restitution owed by defendant ZHANG and the
full names of victims with their respective loss amounts.

V. THE GOVERNMENT RECOMMENDS 18 MONTHS' INCARCERATION

The government recommends that defendant ZHANG be sentenced to a
Guidelines term of 18 months' imprisonment, a three-year period of
supervised release, a \$100 special assessment, and restitution in the
amount set forth in the government's supplemental restitution
position. Such a sentence is sufficient, but not greater than
necessary, to achieve the purposes set forth in 18 U.S.C. § 3553(a).

A. Need to Afford Adequate Deterrence

Economic crimes like the charged money laundering scheme are
quintessentially deterrable. "Because economic and fraud-based

1 crimes are 'more rational, cool, and calculated than sudden crimes of
2 passion or opportunity,' these crimes are 'prime candidate[s] for
3 general deterrence.'" See United States v. Martin, 455 F.3d 1227,
4 1240 (11th Cir. 2006) (quoting Stephanos Bibas, White-Collar Plea
5 Bargaining and Sentencing After Booker, 47 Wm. & Mary L. Rev. 721,
6 724 (2005)). In fact, Congress, in drafting section 3553, confirmed
7 that this common-sense principle was one of the driving forces for
8 including deterrence among the goals of sentencing. See S. Rep. No.
9 98-255, at 76 (1983), reprinted in 1984 U.S.C.C.A.N. 3182, 3259 ("To
10 deter others from committing the offense . . . is particularly
11 important in the area of white collar crime."). Indeed, Congress was
12 expressly concerned with the fact that "[m]ajor white collar
13 criminals often are sentenced to . . . little or no imprisonment,"
14 which the offenders disregard as "a cost of doing business." Id. As
15 Judge Bea has written, "bank fraud, unlike an assault in a tavern or
16 even domestic abuse, tends to be a planned, deliberate crime, which
17 allows plenty of time for reflection, calculation of the odds of
18 success or failure, and the ultimate decision." United States v.
19 Edwards, 595 F.3d 1004, 1021 (9th Cir. 2010) (Bea, J., concurring).

20 Money laundering schemes like the one involved in this case are
21 the lifeline for international cryptocurrency investment frauds. The
22 funds transferred overseas and converted to cryptocurrency give
23 criminal syndicates the means to traffic humans and run scam
24 compounds. Domestic money launderers must be deterred from operating
25 U.S. bank accounts and opening U.S. shell companies that are then
26 used to funnel millions of dollars of victim proceeds overseas. The
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1 government's recommended Guidelines sentence will provide adequate
2 deterrence for similar crimes.

3 **B. Seriousness of the Offense**

4 This is a case in which the Sentencing Guidelines appropriately
5 identify the factors that make defendant's conduct so serious: the
6 loss to numerous victims throughout the United States, the level of
7 sophistication involved in the money-laundering network, and the
8 significance of a money-laundering conspiracy. Together, these
9 factors speak to a scheme that devastated the lives of many U.S.
10 citizens. The effectiveness of the crime also prevented the
11 government from freezing, seizing, or recovering any of the direct
12 victim proceeds. The funds were dissipated across unhosted virtual
13 wallets controlled by individuals overseas, primarily in Southeast
14 Asia. A below-Guidelines sentence is not appropriate in light of the
15 seriousness of the offense.

16 **C. Need to Avoid Unwarranted Disparities**

17 Section 3553(a)(6) requires the Court to minimize sentencing
18 disparities among similarly situated defendants. One way of doing so
19 is to correctly calculate the Guidelines range and then sentence
20 defendants within that range. See United States v. Treadwell, 593
21 F.3d 990, 1011 (9th Cir. 2010) ("Because the Guidelines range was
22 correctly calculated, the district court was entitled to rely on the
23 Guidelines range in determining that there was no 'unwarranted
24 disparity'"); Gall v. United States, 552 U.S. 38, 54 (2007)
25 ("[A]voidance of unwarranted disparities was clearly considered by
26 the Sentencing Commission when setting the Guidelines ranges."). The
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1 government's within-Guidelines recommended sentence avoids an
2 unwarranted disparity with similarly situated defendants.

3 As discussed above, related defendant Justin Walker was
4 previously sentenced to 30 months' imprisonment and related defendant
5 Lu Zhang was previously sentenced to 24 months' imprisonment. The
6 government's recommended sentence for defendant ZHANG evaluates his
7 more limited role with respect to the domestic cell of money
8 launderers, and considers the sentences of related defendants Justin
9 Walker and Lu Zhang.

10 **VI. CONCLUSION**

11 For the foregoing reasons, the government recommends that the
12 Court sentence defendant ZHANG to 18 months' imprisonment, three
13 years' supervised release, a \$100 special assessment, and restitution
14 in the amount set forth in the government's supplemental restitution
15 position.